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January 12, 2009

RECEIVED

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PUBLIC SERVICE  
COMMISSION

Mr. Jeff Derouen  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40602

**HAND-DELIVERED**

Re: PSC Case No. 2008-00423

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case an original and five copies of the responses of Shelby Energy Cooperative, Inc to the Commission Staff's Initial Data Request, dated December 19, 2008.

Yours Truly,

MATHIS, RIGGS & PRATHER, P.S.C.



Donald T. Prather  
Counsel for Shelby Energy  
Cooperative, Inc.

Enclosures

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF SHELBY ENERGY	)	
COOPERATIVE, INC. TO PASS-THROUGH AN	)	CASE NO.
INCREASE OF ITS WHOLESALE POWER	)	2008-00423
SUPPLIER PURSUANT TO KRS 278.455(2)	)	

CERTIFICATE

STATE OF KENTUCKY )  
 )  
 COUNTY OF CLARK )

James C. Lamb, Jr., being duly sworn, states that he has supervised the preparation of the responses of Shelby Energy Cooperative, Inc. to the Public Service Commission Staff Initial Data Request in the above-referenced case dated December 19, 2008, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

James C. Lamb, Jr.

Subscribed and sworn before me on this 12<sup>th</sup> day of January, 2009.

Deeann S. Giffin  
 Notary Public

My Commission expires:

December 8, 2009

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF SHELBY ENERGY	)	
COOPERATIVE, INC. TO PASS-THROUGH AN	)	CASE NO.
INCREASE OF ITS WHOLESALE POWER	)	2008-00423
SUPPLIER PURSUANT TO KRS 278.455(2)	)	

CERTIFICATE

STATE OF KENTUCKY )  
 )  
 COUNTY OF CLARK )

Ann F. Wood, being duly sworn, states that she has supervised the preparation of the responses of Shelby Energy Cooperative, Inc. to the Public Service Commission Staff Initial Data Request in the above-referenced case dated December 19, 2008, and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Anna F. Wood

Subscribed and sworn before me on this 9<sup>th</sup> day of January, 2009.

Peggy S. Giffen  
 Notary Public

My Commission expires:

December 8, 2009

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

***In the Matter of:***

<b>APPLICATION OF SHELBY ENERGY</b>	)	
<b>COOPERATIVE, INC. TO PASS-THROUGH AN</b>	)	<b>CASE NO.</b>
<b>INCREASE OF ITS WHOLESALE POWER</b>	)	<b>2008-00423</b>
<b>SUPPLIER PURSUANT TO KRS 278.455(2)</b>	)	

**RESPONSES TO COMMISSION STAFF'S INITIAL DATA REQUEST  
TO SHELBY ENERGY COOPERATIVE, INC.  
DATED DECEMBER 19, 2008**



**SHELBY ENERGY COOPERATIVE, INC.**

**PSC CASE NO. 2008-00423**

**INITIAL DATA REQUEST RESPONSE**

**COMMISSION STAFF'S INITIAL DATA REQUEST DATED 12/19/08**

**REQUEST 1**

**RESPONSIBLE PERSON:** *Ann F. Wood*

**COMPANY:** *Shelby Energy Cooperative, Inc.*

**Request 1.** Provide the workpapers, spreadsheets, etc. which show the calculation of the increase, by individual wholesale rate schedule, in Shelby's cost of power from East Kentucky Power Cooperative, Inc. that Shelby is proposing to flow through to its customers. Include a brief narrative description of the data being provided.

**Response 1.** Please see pages 2 and 3 of this response. EKPC multiplied the projected wholesale billing units for all members for the test year by the EKPC existing rates to determine revenue before the rate increase. The revenue increase was then proportioned to EKPC rate classes in order to develop proposed rates. After the proposed wholesale rates were developed, the new rates were applied to the same projected billing units proportionally among all rate classes. These rates were then applied to the projected wholesale billing units of each member system, in order to determine their proportionate share of EKPC's revenue requirements.

Please note that the wholesale increase on pages 2 and 3 totals \$2,621,088, and is higher than the retail increase of \$2,620,722 as filed in the pass-through application dated October 31, 2008 (Exhibit 3, Page 1 of 5). This slight under recovery is a result of rounding.

EKPC  
Shelby  
Rate E  
Option 2

Description	Current Rate		Pro Rata	
	Billing Units	Rate	Calculated Billings	Rate
<b>Metering Point Charge</b>				
All Customers	155	\$ 125.00	\$ 19,375.00	\$ 138.00
<b>Substation charges</b>				
Substation 1,000 - 2,999 kVa	-	\$ 944.00	\$ -	\$ 1,041.00
Substation 3,000 - 7,499 kVa	12	\$ 2,373.00	\$ 28,476.00	\$ 2,617.00
Substation 7,500 - 14,999 kVa	96	\$ 2,855.00	\$ 274,080.00	\$ 3,149.00
Substation > 15,000 kVa	35	\$ 4,605.00	\$ 161,175.00	\$ 5,079.00
	143		\$ 463,731.00	
<b>Demand Charge</b>				
All Kw	752,995	\$ 5.22	\$ 3,930,633.90	\$ 5.76
Interr kW	-	\$ (3.15)	\$ -	\$ -
<b>Energy Charge</b>				
On-Peak (April - July)	55,566,238	\$ 0.042470	\$ 2,359,898.13	\$ 0.046844
Off-Peak (April - July)	40,514,472	\$ 0.034904	\$ 1,414,117.13	\$ 0.038499
On-Peak (Aug - March)	116,653,719	\$ 0.042470	\$ 4,954,283.45	\$ 0.038499
Off-Peak (Aug - March)	117,314,123	\$ 0.034904	\$ 4,094,732.15	\$ 0.038499
	330,048,552		\$ 12,823,030.85	\$ 14,143,714.74
FAC		\$ 0.007604	\$ 2,509,689.19	\$ 2,509,689.19
ES		13.62%	\$ 2,689,467.84	\$ 2,689,467.84
<b>Total Billings</b>			<u>\$ 22,435,927.79</u>	<u>\$ 24,212,985.98</u>
Increase/(Decrease)				\$ 1,777,058.19
Percent Change				7.92%

7.92%

EKPC  
Shelby B  
Rate B

Description	Current Rate		Pro Rata	
	Billing Units	Rate	Billing Units	Rate
<b>Demand Charge</b>				
Base kW	294,110	\$ 6.22	294,110	\$ 6.86
Excess kW	5,710	\$ 8.65	5,710	\$ 9.54
Buy-Through \$		\$ -		\$ -
<b>Energy Charge</b>				
All kWh	188,832,646	\$ 0.033455	188,832,646	\$ 0.036901
	188,832,646	\$ 8,196,151.87		\$ 9,040,181.47
FAC		\$ 0.007604		\$ 1,435,883.44
ES		13.62%		\$ 1,311,883.21
<b>Total Billings</b>		\$ 10,943,918.52		\$ 11,787,948.12
Increase/(Decrease)				\$ 844,029.60
Percent Change				7.71%





**SHELBY ENERGY COOPERATIVE, INC.**  
**PSC CASE NO. 2008-00423**  
**INITIAL DATA REQUEST RESPONSE**

**COMMISSION STAFF'S INITIAL DATA REQUEST DATED 12/19/08**  
**REQUEST 2**

**RESPONSIBLE PERSON:** James C. Lamb, Jr./Ann F. Wood  
**COMPANY:** Shelby Energy Cooperative, Inc.

**Request 2.** Refer to Exhibit 3 of the application. The billing analysis shows various rate schedules with escalation percentages applied to the billing determinants. Explain the need for the escalation percentages and provide workpapers, spreadsheets, etc. for the calculation of the percentages, as well as a narrative explanation of how the percentages were determined.

**Response 2.** Since EKPC is using a forecasted test period, the increase is calculated based on projected billing determinants. In order to appropriately match retail rates to the forecasted test year used for wholesale rates, an escalation factor was used. The escalated data was applied to Residential and Small Commercial classes only due to the wide variance and unpredictable nature of the Large Commercial/Industrial class.

The Attachment shows the escalation percentages calculated by the Resource Planning Department of EKPC and the supporting calculations.

EKPC prepares a load forecast by working jointly with its member systems in preparing their individual load forecasts. Factors considered in preparing the forecasts include national, regional, and local economic performance, appliance saturations and

efficiencies, population and housing trends, service area industrial development, electric price, household income, and weather. Each member system reviews the preliminary forecast for reasonability.

The general steps followed by EKPC in developing its load forecast are summarized as follows:

EKPC subscribes to Global Insight, Inc., in order to analyze regional economic performance. Global Insight provides EKPC projections for population, employment, and income as well as other variables.

EKPC prepares a preliminary forecast for each of its member systems for each classification using monthly data as reported on the Rural Utilities Services (RUS) Form 7, which contains publicly available retail sales data for member systems. These include: residential, seasonal, small commercial, public buildings, large commercial, and other. EKPC's sales to member systems are then determined by adding distribution losses to total retail sales. Seasonal peak demands are determined by applying peak factors for heating, cooling, and water heating to energy.

The supplementary spreadsheets in the Attachment contain the data resulting from the above-described process. The growth rates for energy sales, winter peak demand, and customers are based upon the monthly forecasts for the test period.

Escalation for Shelby Energy

Escalation - MWH - Energy	
Time Period	MWH Sales
May 2008 to April 2009	491,584
May 2009 to April 2010	507,811
Percent change	<b>3.3%</b>

Escalation - MW - Demand	
Time Period	
Winter 2009-2010	114.2
Winter 2010 - 2011	116.3
Percent change	<b>1.9%</b>

Escalation - Customers - Residential	
Time Period	Average Annual Customers
2009	14,846
2010	15,164
Percent change	<b>2.1%</b>

Escalation - Customers - Small Commercial	
Time Period	Average Annual Customers
2009	543
2010	550
Percent change	<b>1.2%</b>



**SHELBY ENERGY COOPERATIVE, INC.**

**PSC CASE NO. 2008-00423**

**INITIAL DATA REQUEST RESPONSE**

**COMMISSION STAFF'S INITIAL DATA REQUEST DATED 12/19/08**

**REQUEST 3**

**RESPONSIBLE PERSON: Ann F. Wood**

**COMPANY: Shelby Energy Cooperative, Inc.**

**Request 3.** Refer to Exhibit 5 of the application, page 1 of 2. The public notice shows a \$5.00 charge for demand above 20kW per month for the general service rate. State where this charge is included in the tariff provided in Exhibit 1.

**Response 3.** Please see Exhibit 1, Page 1 of 16 of the original application.